

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2011 and 2010

OAR of Fairfax County

Financial Statements
June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
OAR of Fairfax County

We have audited the accompanying statements of financial position of OAR of Fairfax County ("the Organization") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included at pages 11-12 is presented for purposes of additional analysis of the financial statements and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is stylized, with the "R" being particularly large and the "&" symbol being clearly visible.

Vienna, Virginia
September 26, 2011

OAR of Fairfax County

Statements of Financial Position June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash	\$ 213,599	\$ 222,337
Investment	6,115	6,065
Accounts and grants receivable	105,139	67,026
Prepaid expenses	19,915	23,510
Property and equipment, net	<u>10,347</u>	<u>17,530</u>
Total assets	<u>\$ 355,115</u>	<u>\$ 336,468</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 52,905	\$ 21,038
Accrued vacation expenses	23,159	25,673
Other accrued expenses	<u>902</u>	<u>28,958</u>
Total liabilities	<u>76,966</u>	<u>75,669</u>
Net Assets		
Unrestricted	<u>278,149</u>	<u>260,799</u>
Total net assets	<u>278,149</u>	<u>260,799</u>
Total liabilities and net assets	<u>\$ 355,115</u>	<u>\$ 336,468</u>

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted Revenue and Support		
Government grant	\$ 867,101	\$ 821,487
Other grants and contributions	272,470	271,143
Contract services	300,848	314,146
Client fees	117,578	115,090
United Way designations and grants	17,170	20,950
Other revenue	2,041	3,325
Investment income	265	300
	<u>1,577,473</u>	<u>1,546,441</u>
Expenses		
Program services:		
Transitional and Family Services program	870,833	847,037
Alternative Sentencing and Court program	233,397	247,431
Volunteer program	184,327	148,458
	<u>1,288,557</u>	<u>1,242,926</u>
Total program services		
	<u>1,288,557</u>	<u>1,242,926</u>
Supporting services:		
Management and general	271,566	255,096
	<u>271,566</u>	<u>255,096</u>
Total supporting services		
	<u>271,566</u>	<u>255,096</u>
Total expenses	<u>1,560,123</u>	<u>1,498,022</u>
Change in Net Assets	17,350	48,419
Net Assets, beginning of year	<u>260,799</u>	<u>212,380</u>
Net Assets, end of year	<u>\$ 278,149</u>	<u>\$ 260,799</u>

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 17,350	\$ 48,419
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,183	7,662
Unrealized gains on investment	(50)	(139)
Change in operating assets and liabilities:		
Increase in accounts and grants receivable	(38,113)	(19,479)
Decrease in prepaid expenses	3,595	15,765
Increase in accounts payable	31,867	8,909
Decrease in accrued vacation expenses	(2,514)	(8,069)
(Decrease) increase in other accrued expenses	<u>(28,056)</u>	<u>24,423</u>
Net cash (used in) provided by operating activities	<u>(8,738)</u>	<u>77,491</u>
Net (Decrease) Increase in Cash	(8,738)	77,491
Cash, beginning of year	<u>222,337</u>	<u>144,846</u>
Cash, end of year	<u><u>\$ 213,599</u></u>	<u><u>\$ 222,337</u></u>

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2011 and 2010

1. Nature of Operations

OAR of Fairfax County (“the Organization”) was chartered in May 1971 and incorporated in the Commonwealth of Virginia on September 5, 1973. It is a not-for-profit Section 501(c)(3) organization which provides supportive services for offenders, ex-offenders, and their families who are Northern Virginia residents. Services include establishing one-to-one relationships between citizen volunteers and inmates, inmate support groups, assistance with finding employment, educational and training programs, emergency financial aid for food, housing, clothing, travel, medical needs, and appropriate referrals. The Organization also provides alternative sentencing programs for the Fairfax County General District Court.

2. Summary of Significant Accounting Policies

Investment

Investment for June 30, 2011 and 2010 consists of a certificate of deposit. The investment is recorded at fair value based on quoted market prices. Unrealized gains are reported as a component of investment income in the accompanying statements of activities.

Property and Equipment

Property and equipment with a projected useful life exceeding one year and in excess of \$1,000 are capitalized and recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the individual assets, ranging from five to seven years.

Classification of Net Assets

Unrestricted net assets represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization’s core programs and operations. Temporarily restricted net assets represent funds that are subject to donor-imposed restrictions that are met through specific actions or through the passage of time. Contributions that are designated for core programs or are overly broad as to purpose are considered unrestricted. All net assets were unrestricted at June 30, 2011 and 2010.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred.

Other grants and contributions are recorded as revenue when received or promised. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to a certain purpose or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Revenue from other sources is recognized as earned.

Donated Office Space and Other In-Kind Donations

The Organization receives donated office facilities, utilities, and related items from Fairfax County. In-kind donations are recorded at their fair value at the time of receipt. Total in-kind donations received from Fairfax County were \$182,575 and \$170,016 for the years ended June 30, 2011 and 2010, respectively. Additional use of facilities was donated from other agencies, which totaled \$0 and \$30,000 for the years ended June 30, 2011 and 2010, respectively. These amounts are included in occupancy expense in the accompanying supplemental schedules of functional expenses.

The Organization also received donated items of clothing, books, printing, and similar items from the general public, which are recorded based on the estimated fair value at the time of receipt. Total donated goods totaled \$14,826 and \$17,843 for the years ended June 30, 2011 and 2010, respectively, and are recorded in direct assistance in the accompanying supplemental schedules of functional expenses.

In addition, the Organization received donated services relating to legal, accounting, consulting, and property improvements, which are recognized in the accompanying statements of activities in the amount of \$33,988 and \$8,450 for the years ended June 30, 2011 and 2010, respectively. These services are measured using the applicable billing rates of the professional service providers.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Organization follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs.

In addition, the Organization follows ASC 825-10, *Financial Instruments*, which allows entities the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. At adoption, the effect of the first remeasurement to fair value is recorded as a cumulative effect adjustment to the opening balance of unrestricted net assets. The Organization did not elect to measure any additional eligible financial assets or financial liabilities at fair value. Accordingly, adoption of this standard had no impact on the Organization's results of operations or financial position.

Effective July 1, 2010, the Organization adopted Accounting Standards Update 2009-12, *Investments in Certain Entities That Calculate Net Assets Value per Share (or its Equivalent)*, which has amended the existing guidance in ASC 820. This guidance permits, as a practical expedient, the fair value of investments that do not have a quoted market price to be estimated using net asset value (NAV) per share or its equivalent. At June 30, 2011, the Organization did not have any investments requiring to be valued using NAV.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2011, the date the financial statements were issued.

OAR of Fairfax County

Notes to Financial Statements June 30, 2011 and 2010

3. Accounts and Grants Receivable

For years ended June 30, 2011 and 2010, the Organization's accounts and grants receivable are all due in less than one year and are recorded at net realizable value. No allowance for doubtful accounts is recorded as the management believes that all receivables are fully collectible.

A substantial portion of the grants and contract income earned by the Organization is paid by local jurisdictions of Fairfax County and the Commonwealth of Virginia. At June 30, 2011 and 2010, \$29,899 and \$50,583, respectively, was receivable from these governmental agencies, which represents approximately 28% and 75%, respectively, of total accounts and grants receivable. In addition, for the years ended June 30, 2011 and 2010, the Organization recognized \$894,780 and \$885,629, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 57% of total revenue for both years then ended.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investment. The Organization maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Property and Equipment

The Organization held the following property and equipment at June 30:

	2011	2010
Computers and related equipments	\$ 50,516	\$ 50,516
Vehicle	14,747	14,747
Furniture and fixtures	3,290	3,290
Total property and equipment	68,553	68,553
Less: accumulated depreciation	(58,206)	(51,023)
Property and equipment, net	\$ 10,347	\$ 17,530

OAR of Fairfax County

Notes to Financial Statements June 30, 2011 and 2010

6. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows at June 30:

	Total fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant observable inputs (level 3)
2011:				
Certificate of deposit	\$ 6,115	\$ 6,115	\$ -	\$ -
2010:				
Certificate of deposit	\$ 6,065	\$ 6,065	\$ -	\$ -

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no level 2 or level 3 financial assets at June 30, 2011 and 2010.

7. Commitment

On August 11, 2009, the Organization entered into an operating lease for a new copier. Monthly payments are fixed at \$509 for the duration of the lease and include services. The lease was executed in conjunction with the termination of an existing copier lease.

Total future minimum lease payments are as follows for the years ending June 30:

2012	\$ 6,104
2013	6,104
2014	6,104
2015	509
Future minimum lease payments	<u>\$ 18,821</u>

Expenses under these operating leases and service agreements for the years ended June 30, 2011 and 2010 were \$10,497 and \$9,182, respectively, and are reported as copier and lease maintenance expense in the accompanying supplemental schedules of functional expenses.

OAR of Fairfax County

Notes to Financial Statements June 30, 2011 and 2010

8. Retirement Plan

The Organization has a 403(b) retirement plan (“the Plan”) in which all employees can participate, but only employee’s with benefits packages are eligible for a match. Previously, the Organization made discretionary contributions equal 4% of each qualifying participant’s compensation. Effective September 1, 2006, the Plan was amended whereby the Organization would match employee contributions on a dollar-for-dollar basis up to a maximum 4% of participant compensation.

Total expenses under the Plan were \$12,452 and \$15,494 for the years ended June 30, 2011 and 2010, respectively. These amounts are included in employee benefits expense in the accompanying supplemental schedules of functional expenses.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (IRC), the Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for income tax is required for the years ended June 30, 2011 and 2010, as the Organization had no net unrelated business income. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi). The Organization had no significant uncertain tax positions for the years ended June 30, 2011 and 2010.

SUPPLEMENTAL INFORMATION

OAR of Fairfax County

Schedule of Functional Expenses
For the Year Ended June 30, 2011

	Program Services			Total Program Services	Management and General	Total
	Transitional and Family Services	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 371,980	\$ 139,493	\$ 108,494	\$ 619,967	\$ 154,992	\$ 774,959
Occupancy	89,134	33,425	25,997	148,556	37,139	185,695
Employee benefits	46,294	17,360	13,502	77,156	19,289	96,445
Payroll taxes	31,584	11,844	9,212	52,640	13,160	65,800
Direct assistance	214,311	7	140	214,458	-	214,458
Contractual services	32,798	645	501	33,944	716	34,660
Insurance	5,064	1,899	1,477	8,440	2,110	10,550
Meetings and awards	7,687	2,883	4,081	14,651	3,203	17,854
Copier and lease maintenance	5,039	1,889	1,470	8,398	2,099	10,497
Telecommunications	7,759	2,910	2,263	12,932	3,233	16,165
Accounting	14,632	5,487	4,268	24,387	6,097	30,484
Program supplies and materials	708	-	515	1,223	729	1,952
Training	390	-	-	390	725	1,115
Information technology	25,437	9,539	7,419	42,395	10,599	52,994
Office expenses	4,550	1,706	1,327	7,583	1,896	9,479
Other expenses	1,050	-	125	1,175	318	1,493
Depreciation	-	-	-	-	7,183	7,183
Printing and reproduction	2,143	804	625	3,572	893	4,465
Fees	4,821	1,808	1,406	8,035	2,009	10,044
Postage and shipping	858	322	250	1,430	358	1,788
Dues and subscription	3,087	1,158	900	5,145	1,286	6,431
Local travel	1,507	218	355	2,080	3,532	5,612
Total Expenses	\$ 870,833	\$ 233,397	\$ 184,327	\$ 1,288,557	\$ 271,566	\$ 1,560,123

OAR of Fairfax County

Schedule of Functional Expenses
For the Year Ended June 30, 2010

	Program Services			Total Program Services	Management and General	Total
	Transitional and Family Services	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 355,753	\$ 148,231	\$ 88,938	\$ 592,922	\$ 148,231	\$ 741,153
Occupancy	112,897	34,540	20,724	168,161	34,540	202,701
Employee benefits	40,291	16,788	10,073	67,152	16,789	83,941
Payroll taxes	30,692	12,788	7,673	51,153	12,788	63,941
Direct assistance	223,198	-	-	223,198	-	223,198
Contractual services	39,763	16,568	9,941	66,272	16,568	82,840
Insurance	1,393	580	348	2,321	581	2,902
Meetings and awards	6,303	2,626	1,576	10,505	2,626	13,131
Copier and lease maintenance	4,407	1,836	1,102	7,345	1,837	9,182
Telecommunications	8,712	3,630	2,178	14,520	3,630	18,150
Accounting	7,217	3,007	1,804	12,028	3,007	15,035
Program supplies and materials	3,492	1,455	873	5,820	1,456	7,276
Training	204	85	51	340	85	425
Office supplies	3,121	1,300	780	5,201	1,301	6,502
Other expenses	1,105	460	276	1,841	459	2,300
Depreciation	-	-	-	-	7,662	7,662
Printing and reproduction	2,667	1,111	667	4,445	1,111	5,556
Fees	1,804	752	451	3,007	750	3,757
Postage and shipping	1,430	596	357	2,383	596	2,979
Local travel	662	276	165	1,103	276	1,379
Dues and subscription	1,926	802	481	3,209	803	4,012
Total Expenses	\$ 847,037	\$ 247,431	\$ 148,458	\$ 1,242,926	\$ 255,096	\$ 1,498,022